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The Foundation Overview - Confidential

Objective

The objective of the Foundation from the outset has 2 core objectives:

1. Onboard new digital services onto Kin
2. Build and Administer the rewards engine

These two are not mutually exclusive. The Rewards Engine will need to be clearly defined in order to attract digital services and expand the ecosystem beyond kik. The Rewards Engine will only pay out once there is a developer on the platform.

Next Steps

1. Appoint Board of Directors

- The board of directors for the Foundation will be the team administering the Rewards Engine and should have an acute understanding of the methodology
- The board is a key driver of strategic development of the ecosystem and as such should have significant influence in developing a partnership ecosystem
- The board has discretionary spend of 25% of the Foundation's allocation to drive strategic partnerships and R&D. Based on the current spot rate that is a \$30M annual budget; a strong command and administration of the budget will be imperative
- The board will establish various advisory boards to consult and provide input in the areas of technology, developer relations and regulatory (mainly in financial services).

2. Publish the Kin Rewards Engine methodology

- The methodology will be a key piece of leverage in onboarding new digital services to the ecosystem
- By communicating how the rewards engine will be administered, digital services will be able to build accordingly

3. Build out partner ecosystem

- The combination of the board of directors and the rewards engine methodology will help in strategic partner discussions
- These initial partners should support the objective of proving a strong use-case for Kin

Board Members

Founding Board Member

William Mougayar - <https://www.linkedin.com/in/williammougayar/>

William has been an advisor to Kik with respect to the Kin initiative since April 2017. As per his linkedin profile, William has a deep understanding of the blockchain sector.

Additional Board Considerations

- Olaf Carlson-Wee (Polychain)
 - Strong understanding of crypto-economics, product and compliance
- David Edery (Former Microsoft; Now CEO Spryfox)
 - Developed mobile gaming conglomerate; understands community
- Craig Keilburger (CEO, WE Corp.)
 - Strong community and social mission
- William Raduchel (Phd Economics, advisor to Kik)
 - Seasoned board and strategic thinker
- Yves Guillemot, Chairman of Ubisoft
 - Contact of William Mougayar – Ubisoft looking to integrate crypto

Other Considerations (Potential Advisory Board Members)

- MIT team
 - Understands economics and rewards engine
- Matt Spoke
 - Well connected in the crypto and Canadian ecosystems; knows Kik and Kin well
- Malcolm Clarke
 - TD Bank, technical lead for Canadian Banks Consortium for identity platform built on HyperLedger

Key Considerations

Consideration: The right ecosystem participants

The initial ecosystem participants should carry a level of brand cache that can be leveraged to bring in a broader network of digital services. The initial use-cases do not need to be complex, but should demonstrate a compelling use-case.

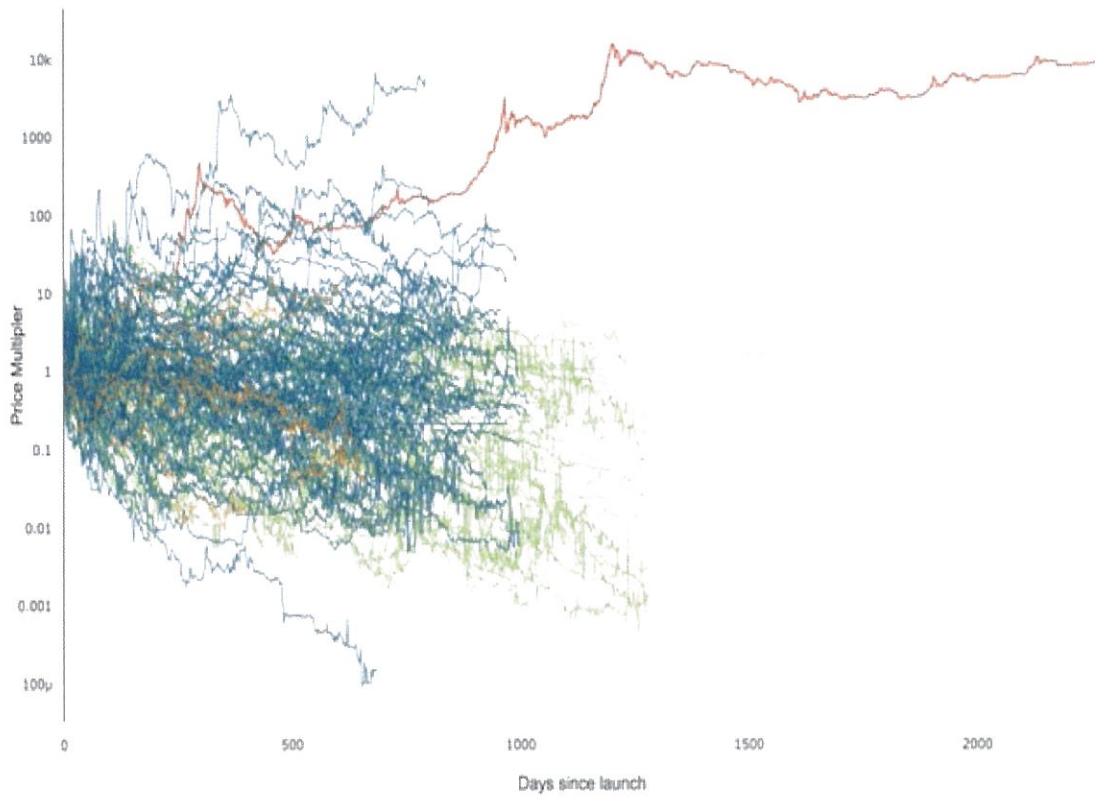
Consideration: Scale of ecosystem at the time of Rewards Engine Launch

At the point-in-time that the Rewards Engine starts making its initial payout, there should be a pipeline of strategic partners that are either already plugged in, or lined up to follow-on very quickly. The daily rewards payout in the first year (excluding the 25% discretionary) is 0.025% of the total supply per day. If a digital service were to capture the daily payout for 1 month (31 days) they would have the same allocation as Polychain; if you take into account that Polychain has 50% locked up, a digital service would have the same circulating supply as Polychain after 2 weeks.

Consideration: Speed to market to retain the value of the daily payout

Based on the spot rate today (10/3), the daily payout would be US\$249k - this is a huge incentive for developers, but we should also expect a period where this number falls. The more we can get people engaged while the daily payout is high the easier it will be to onboard and will also create positive momentum to carry the currency forward and avoid a large trough -

although we should expect some drop off. For reference, here is a chart that shows the trading multiple for all cryptocurrencies post-ICO



Strategic Partner Strategy

Overview

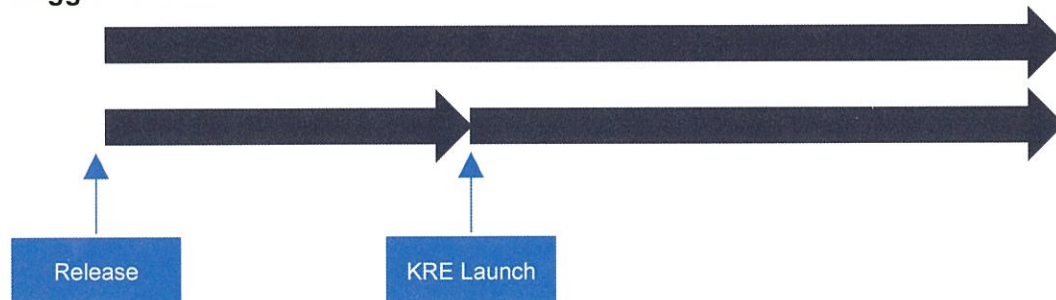
The strategic partner discussion needs to happen in parallel to us building out product in Kik. The Kin ecosystem will only thrive once there are multiple digital services building experiences for users and capturing the payout from the Kin Rewards Engine (KRE), both within Kik and outside of the Kik messenger environment.

As a medium of exchange, Kin empowers digital services to facilitate a value exchange in the experiences they build (user:user, user:brand, user:creator, user:advertiser etc.). This value exchange is not a unique characteristic that Kin holds, however. Some hurdles exist for a digital service to adopt Kin including: general understanding of crypto, unclear regulatory oversight, price volatility, wallet implementation. Digital services could turn to more formalized services (IAP, credit card etc.), however, they would not capturing the benefits of a decentralized ecosystem and would not be recognizing the payout from the Kin Rewards Engine.

The Kin Rewards Engine drives the development of the ecosystem by acting as the carrot for potential entrants both within and outside of Kik. The Foundational role of strategic partnerships should be to find complementary digital services and ecosystems and help them qualify for the opportunity of the KRE, and help work through the onboarding process to overcome the hurdles mentioned above. The end state of the ecosystem will be a decentralized collection of digital services and sub-ecosystems, of which Kik would be the initial one. That being said the initial launch partners qualifying for the rewards engine should be complementary in nature to leverage an installed base of users and generate network effects.

The launch of the Rewards Engine will need to come with an initial set of launch partners, as well as an established funnel of second movers. First mover advantage is a strong benefit to the first ecosystem participants. However, given the scale of the daily, if there are too few digital services capturing it, there will economic disparity in perpetuity. It is important that there is scale in the funnel, and confidence in the initial launch partners that they will be providing real value to users. The months following the launch will be critical in setting the right trajectory and acting as a lighthouse both within and outside of Kik for other digital services to come and build in the Kin ecosystem.

The payout from the Rewards Engine is a large incentive for potential entrants. In order to convert interest to action, the methodology of the Rewards Engine payout will need to be published so that digital services can quantify their potential impact and build to optimize for the payout. Third party developers will also want to see positive momentum in the usage in Kik; both to see 1) user adoption and 2) positive movement in the value of the currency

Suggested Cadence**Kik Ecosystem Development – Initial Mandate**

Kik's role in this ecosystem is to generate initial transaction volume to do 2 things:

1. Demonstrate an appetite for users to transact
2. Generate momentum of the currency value, which comes from transaction velocity

1. Demonstrate an appetite for uses to transact

Kik should implement in-app capabilities to redeem Kin (but not at the expense of core functionality like visual messaging – i.e. having stickers tied to Kik Points was clearly a mistake as shown by data). The question is, what capabilities would be of interest to users – this may be temporary expressive options or more personalisation (background colours, profile stickers etc).

Not-for-profit partnerships may be a wise first partnership. We have already spoken to the World Wildlife Fund and WeDay who are interested in Kin opportunities. These may be simple to implement but would need some form of donation and payment, e.g. Kik users complete actions and Kin are assigned to the charity partner.

Tangible, real-world products are potentially the most impactful. For a small cost, Kik could purchase items of value (movie tickets, discount coupons, food/drinks at fast food retailers) and have Kin users spend Kin. This was proven to success with Kik Points where we let users buy amazon gift cards (sold out extremely fast with each test).

The only way to get this economy jump started is to go out and make this happen ourselves with big experiences and big brands to qualify this opportunity for the rest of the market. It may not be 100% organic, and may cost us money, but we need to bootstrap at this point. We need to focus on the spend side of the economy first to prove out why users should care about earning. Below is a graph that shows

the delta between earn and spend on Kik Points – you can see most of the transaction volume was on the earn side and without the opportunity to spend them the economy died.



2. Generate momentum of the currency value, which comes from transaction velocity

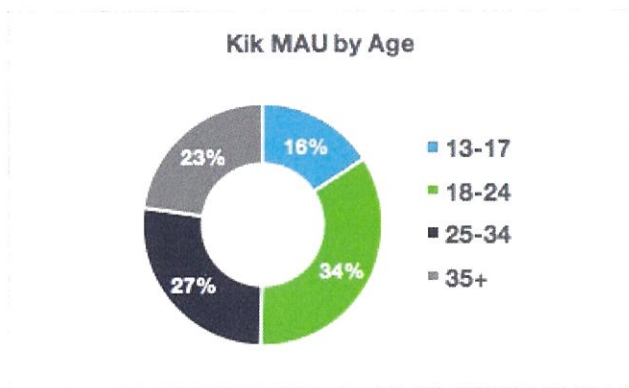
Given we are first to market as a consumer tech company, we will not be judged in the same light as other Crypto projects that precede us. Those projects do not have

users and have traditionally relied on communications that are speculative in nature or related to exchanges. We have a unique opportunity to set our own KPIs for Kin and communicate those more broadly to the community. These will be the measuring stick by which we are judged, and will set context for momentum. The thing that successful previous projects have done, and we can learn from is that they set timelines for deliverable KPIs and report on those at the time the deadlines come.

If we can consistently set expectations with the market and then over-deliver on those, we'll have rolling thunder, building the Kin ecosystem with a strong foundation of market support – not chasing silver bullets. We'll be evaluated differently than other projects and this is a huge opportunity to define what success looks like and set the model/KPIs for other digital services joining the Kin ecosystem. A good next step post TDE will be to publicly define core KPIs we feel confident we can exceed, then provide consistent updates to the community of our performance. This will build support for the project and get people excited to come and build in the ecosystem.

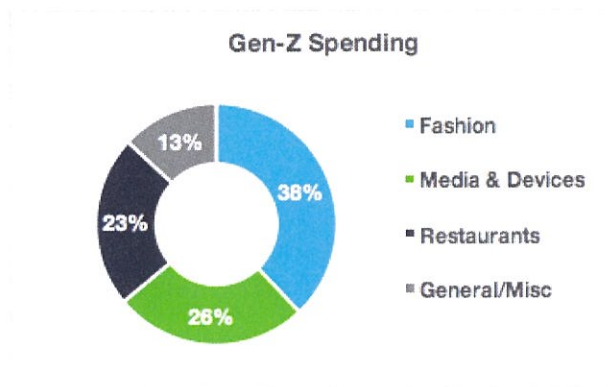
These core KPIs need to be defined and communicated in the near term and is an important next step for us to build momentum for Kin, as well as give a benchmark for potential ecosystem entrants to work towards. These KPIs we define should be heavily correlated to the Kin Rewards Engine methodology so that we can show a blueprint in the leader/follower relationship that Kik will have with other digital services.

User Segments



Kik User Demographics

Kik users are skewing older as retained users are getting older. The generational trends on Kik are predominantly Gen Z and Millennials. To understand where we should be directing our efforts in product development in Kik and strategic partners it is important that we understand how these segments are spending their time and money

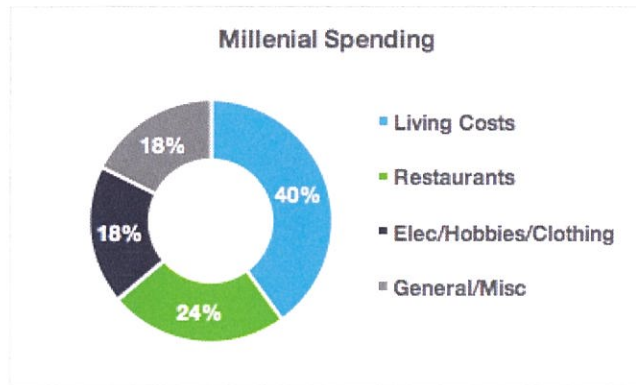


Gen Z Spending - Source: Piper Jaffray

Gen-Z (13-20) is spending a majority of their income on fashion and entertainment. This is consistent with our most successful Kik Points activations: VS Pink, Sephora, Movies Studios.

We should look to leverage existing relationships and data from Kik Points to create opportunities to spend on these experiences ie. movie tickets, clothes, perfume etc.

Millennial Spending - Source: Bank of America Merrill Lynch



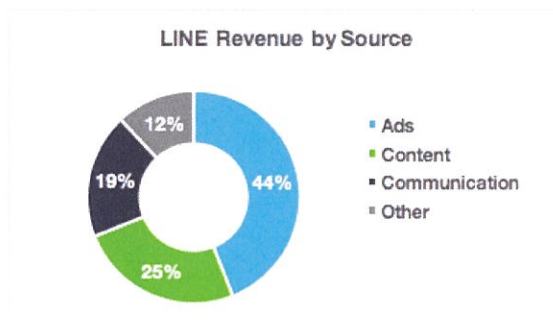
Millennials have similar spending habits when you take out the 'living costs' segment of their wallet.

The discretionary spend from Millennials skews a little more towards experiences. Entertainment and experience based spend opportunities should see good traction and has the same overlap with the Gen-Z segment

LINE Messenger

Although the Japanese market is different than the US, LINE serves as a good proxy for where value exchange is happening in a mobile messenger. LINE's 4 revenue categories:

- **Ads:** Official Accounts, Sponsored Stickers, Timeline Ads
- **Communication:** Stickers, Custom Themes, LINE Call
- **Content:** Games, Music
- **Other:** Payments



Ads: is the largest segment and will be a strong fit for the earn side of the economy

Content: Games and Music are great fits for the spend side of the economy and fits well with US demo

Communications: Sticker content is a large segment for spend opportunities; skews more to Asian market, however.

Other: P2P payments are not on our near-term roadmap

US Mobile Gaming Market

- **Need to do some work here**
- **72%** of US teens play video games (mobile, console & PC)
- **75%** of those teens play with friends online; **54%** of which they only know online
- More than half of teens have made friends online, **36%** of which did so gaming
- Mobile game revenue passed console & PC in 2016 (**\$36.9B**)

Advertising Segment

- **Need to do some work here**
- \$83 billion spent in the US digital advertising space in 2017
- \$58 billion in mobile ad spend